

amounting to \$27,757,196. Miscellaneous revenue, largely fees, amounted in that year to \$10,682,273—a comparatively small fraction of the total. As both customs and excise taxes were indirect, the average Canadian felt but little the pressure of taxation for Dominion purposes.

The war enormously increased the expenditure, and this increase had in the main to be met by loans. It is, however, a cardinal maxim of public finance that, where loans are contracted, sufficient new taxation should be imposed to meet the interest charge upon the loans and to provide a sinking fund for their ultimate extinction. This war taxation was begun in Canada within the first weeks of the war, when in the short war session of August, 1914, increases were made in the customs and excise duties on various commodities, including coffee, sugar, spirituous liquors and tobacco. In 1915, special additional duties of 5 p.c. *ad valorem* were imposed on commodities imported under the British Preferential Tariff and 7½ p.c. *ad valorem* on commodities imported under the Intermediate and General Tariffs, certain commodities being exempted. New internal taxes were also imposed on bank circulation, on the income of trust and loan companies, on insurance in other than life and marine companies, on telegrams and cablegrams, railway tickets, sleeping-car berths, etc., also on cheques, postal notes, money orders, letters and post cards. In the following year, the business profits war tax (dropped in 1921) was introduced, and in 1917 an income tax was imposed. In 1918 both of these taxes were increased and their application widened, and in 1919 the income tax was again increased, and still further augmented in 1920, by a surtax of 5 p.c. of the tax on incomes of \$5,000 and over; the sales tax was also introduced in that year. This sales tax was increased in 1921 and again in 1922, while another addition became effective on Jan. 1, 1924. The cumulative result of these war taxes was that, in the fiscal year ended Mar. 31, 1921, customs duties were for the first time displaced from their position as the chief factor in Canadian revenue, the war taxes yielding \$168,385,327, as against the customs yield of \$163,266,804. In 1922 war taxes yielded \$177,484,161, while the yield of the customs fell to \$105,686,645. Again, in 1923 the war taxes yielded \$181,634,875 and customs duties \$118,056,469, in 1924 \$182,036,261 and \$121,500,798 and in 1925 \$147,164,158 and \$108,146,871.

A more detailed sketch of the new taxation imposed during and following the war is appended for reference.

**War Taxation in Canada.**—War taxation began in Canada almost simultaneously with the outbreak of the war. In the short war session of August, 1914, the Customs Tariff Amendment Act (c. 5) and an Act to amend the Inland Revenue Act (c. 6) provided for increases in the customs and excise duties on various commodities, including coffee, sugar, spirituous liquors and tobacco. In the 1915 session, the Customs Tariff War Revenue Act, 1915, imposed duties or additional duties of 5 p.c. *ad valorem* under the British Preferential Tariff, and of 7½ p.c. *ad valorem* under the Intermediate and General Tariffs on all goods in Schedule A of the Customs Tariff, whether dutiable or free of duty, subject to exemptions of which the chief were:—fish caught by Canadian and Newfoundland fishermen, goods used in the manufacture of agricultural machinery and of binder twine, certain goods used for medical and surgical purposes, anthracite coal, steel for the manufacture of rifles, silk, chemical fertilizers, cotton seed cake and cotton seed cake meal. By the Special War Revenue Act (c. 8), new taxes were imposed as follows:—on every bank, ¼ of 1 p.c. on the average amount of its notes in circulation during each three-month period; on every trust and loan company, 1 p.c. on its Canadian income; on every insurance company other than life and marine insurance companies, 1 p.c. of its net premiums received in Canada. Further, taxes were imposed of 1 cent on every cablegram or telegram for which a charge of 15 cents or more was made; 5 cents on